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FINANCIAL REPORTS AND AUDITED FINANCIAL STATEMENTS, AND REPORTS OF THE BOARD OF AUDITORS

Report of the Fifth Committee

Rapporteur: Mr. Larbi DJACTA (Algeria)

I. INTRODUCTION

1. At its 3rd plenary meeting, on 23 September 1994, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its forty-ninth session the item entitled:

"Financial reports and audited financial statements, and reports of the Board of Auditors:

"(a) United Nations;

"(b) United Nations Development Programme;

"(c) United Nations Children's Fund;

"(d) United Nations Relief and Works Agency for Palestine Refugees in the Near East;

"(e) United Nations Institute for Training and Research;

"(f) Voluntary funds administered by the United Nations High Commissioner for Refugees;

"(g) Fund of the United Nations Environment Programme;

"(h) United Nations Population Fund;

"(i) United Nations Habitat and Human Settlements Foundation;

"(j) Fund of the United Nations International Drug Control Programme"

and to allocate it to the Fifth Committee.

2. At its 10th, 12th to 14th, 16th and 36th meetings, on 31 October, 4, 8, 9 and 11 November and 21 December 1994, the Fifth Committee considered the financial reports and audited financial statements for the period ended 31 December 1993 and the reports and audited opinions of the Board of Auditors concerning the United Nations, including the International Trade Centre and the United Nations University, 1/ the United Nations Development Programme, 2/ the United Nations Children's Fund, 3/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 4/ the United Nations Institute for Training and Research, 5/ voluntary funds administered by the United Nations High Commissioner for Refugees, 6/ the Fund of the United Nations Environment Programme, 7/ the United Nations Population Fund, 8/ the United Nations Habitat and Human Settlements Foundation 9/ and the Fund of the United Nations International Drug Control Programme, 10/ and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/49/547).

3. The Committee also had before it:

(a) Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors (A/48/516 and Add.1 and Add.1/Corr.1);

(b) Report of the Secretary-General on the recovery of misappropriated funds from staff members and former staff members (A/48/572);

1/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 and corrigendum (A/49/5 and A/49/5 (Vol. II)/Corr.1), vol. I, sects. I and V; vol. II, sects. I and V; vol. III, sects. I and V; and vol. IV, sects. I and V.

2/ Ibid., Supplement No. 5A (A/49/5/Add.1).

3/ Ibid., Supplement No. 5B (A/49/5/Add.2).

4/ Ibid., Supplement No. 5C (A/49/5/Add.3).

5/ Ibid., Supplement No. 5D (A/49/5/Add.4).

6/ Ibid., Supplement No. 5E (A/49/5/Add.5).

7/ Ibid., Supplement No. 5F (A/49/5/Add.6).

8/ Ibid., Supplement No. 5G (A/49/5/Add.7).

9/ Ibid., Supplement No. 5H (A/49/5/Add.8).

10/ Ibid., Supplement No. 5I (A/49/5/Add.9).

(c) Report of the Secretary-General on independent audits and management reviews of activities of the United Nations system (A/48/587);

(d) Report of the Secretary-General transmitting a concise summary of principal findings and conclusions for remedial action of the Board of Auditors on the audit of the accounts for the financial period ended 31 December 1993 (A/49/214, annex);

(e) Report of the Secretary-General on the implementation of the recommendations of the Board of Auditors (A/49/348 and Add.1 and 2); and

(f) Note by the Secretary-General transmitting a letter from the Chairman of the United Nations Board of Auditors on the term of office of members of the United Nations Board of Auditors (A/49/368 and Corr.1).

4. The comments and observations made in the course of the discussions of the item and the replies to queries raised are reflected in the relevant summary records (A/C.5/49/SR.10, 12-14, 16 and 36).

II. CONSIDERATION OF DRAFT RESOLUTION A/C.5/49/L.14

5. At the 36th meeting, on 21 December 1994, the Vice-Chairman of the Committee introduced a draft resolution, submitted following informal consultations (A/C.5/49/L.14). The Secretary of the Committee read out editorial changes to the text.

6. Also at the same meeting, the Committee adopted draft resolution A/C.5/49/L.14 without a vote (see para. 7).

III. RECOMMENDATION OF THE FIFTH COMMITTEE

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

Financial reports and audited financial statements, and reports of the Board of Auditors

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The General Assembly,

Having considered, for the period ended 31 December 1993, the financial reports and audited financial statements of the United Nations, including the United Nations peace-keeping operations, the International Trade Centre and the

United Nations University, 11/ the United Nations Development Programme, 12/ the United Nations Children's Fund, 13/ the United Nations Relief and Works Agency for Palestine Refugees in the Near East, 14/ the United Nations Institute for Training and Research, 15/ the voluntary funds administered by the United Nations High Commissioner for Refugees, 16/ the Fund of the United Nations Environment Programme, 17/ the United Nations Population Fund, 18/ the United Nations Habitat and Human Settlements Foundation 19/ and the Fund of the United Nations International Drug Control Programme, 20/ the reports and audit opinions of the Board of Auditors, 21/ the concise summary of principal findings, conclusions and recommendations for remedial action of the Board of Auditors 22/ and the report of the Advisory Committee on Administrative and Budgetary Questions, 23/

11/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 and corrigendum (A/49/5 and A/49/5 (Vol. II)/Corr.1), vol. I, sects. I and V; vol. II, sects. I and V; vol. III, sects. I and V; and vol. IV, sects. I and V.

12/ Ibid., Supplement No. 5A (A/49/5/Add.1).

13/ Ibid., Supplement No. 5B (A/49/5/Add.2).

14/ Ibid., Supplement No. 5C (A/49/5/Add.3).

15/ Ibid., Supplement No. 5D (A/49/5/Add.4).

16/ Ibid., Supplement No. 5E (A/49/5/Add.5).

17/ Ibid., Supplement No. 5F (A/49/5/Add.6).

18/ Ibid., Supplement No. 5G (A/49/5/Add.7).

19/ Ibid., Supplement No. 5H (A/49/5/Add.8).

20/ Ibid., Supplement No. 5I (A/49/5/Add.9).

21/ Ibid., Supplement No. 5 and corrigendum (A/49/5 and A/49/5 (Vol. II)/Corr.1), vol. I, sects. II and III; vol. II, sects. II and III; vol. III, sects. II and III; and vol. IV, sects. II and III; ibid., Supplement No. 5A (A/49/5/Add.1), sects. II and III; ibid., Supplement No. 5B (A/49/5/Add.2), sects. II and III; ibid., Supplement No. 5C (A/49/5/Add.3), sects. II and III; ibid., Supplement No. 5D (A/49/5/Add.4), sects. II and III; ibid., Supplement No. 5E (A/49/5/Add.5), sects. II and III; ibid., Supplement No. 5F (A/49/5/Add.6), sects. II and III; ibid., Supplement No. 5G (A/49/5/Add.7), sects. II and III; ibid., Supplement No. 5H (A/49/5/Add.8), sects. II and III; and ibid., Supplement No. 5I (A/49/5/Add.9), sects. II and III.

22/ A/49/214, annex.

23/ A/49/547.

Taking note of the reports of the Secretary-General on the recovery of misappropriated funds 24/ and on independent audits and management reviews of activities in the United Nations system, 25/

Noting the steps taken by the executive heads and governing bodies of the United Nations organizations and programmes to give appropriate consideration and attention to the recommendations in earlier audit reports, as commented upon by the Board of Auditors in the annexes to its current reports,

Also taking note of the reports of the Secretary-General and executive heads of United Nations organizations in response to the current recommendations of the Board of Auditors to the General Assembly indicating measures to be taken with appropriate timetables, 26/

Noting that the Board of Auditors could not obtain adequate assurance about the reliability of the value of cumulative inventory of non-expendable property in the United Nations,

Having considered the views of the Board of Auditors on the implications of extending the terms of office of members of the Board, 27/

Congratulating the Board of Auditors for conducting its reviews in a comprehensive manner, in line with regulation 12.5 of the Financial Regulations of the United Nations,

1. Accepts the financial reports and audited financial statements and the audit opinions and reports of the Board of Auditors regarding the aforementioned organizations;

2. Also accepts the concise summary of principal findings, conclusions and recommendations for remedial action of the Board of Auditors;

3. Notes with concern that the Board of Auditors issued qualified audit opinions on the financial statements of the United Nations (peace-keeping operations), the United Nations Development Programme, the United Nations Population Fund and the United Nations International Drug Control Programme;

4. Approves all the recommendations and conclusions of the Board of Auditors and the comments thereon contained in the report of the Advisory Committee on Administrative and Budgetary Questions; 23/

5. Notes with appreciation the horizontal audits on procurement activities and major information technology systems conducted by the Board of

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24/ A/48/572.

25/ A/48/587.

26/ A/49/348 and Add.1 and 2.

27/ A/49/368 and Corr.1.

Auditors pursuant to the request by the General Assembly in paragraph 16 of its resolution 47/211 of 23 December 1992, requests the Board of Auditors to report to the Assembly at its fifty-first session on the actions taken in respect of the findings and recommendations of these audits, and also requests the Board to continue this practice;

6. Requests the Board of Auditors to consider, in the light of the report of the Office of Internal Oversight Services on the Security Access System, whether it is necessary for the Board to undertake a further review of the project, including its development and the method of procurement and managerial accountability, both at the inception and execution of the project;

7. Recalls that payments to supernumerary staff should not have been effected without the prior approval of the General Assembly, welcomes the progress made in resolving the problem of staff members rendered supernumerary as a result of the retrenchment exercise, and notes that the Secretary-General intends to complete the necessary redeployments of posts and staff by 31 December 1994;

8. Endorses the recommendation of the Board of Auditors on the lump-sum option arrangements for home leave, education and family visit travel;

9. Requests the Secretary-General to continue to monitor closely the costs and benefits to the Organization of the lump-sum arrangements, including an analysis of the level of cash incentive provided to staff by the current 75 per cent procedure, and to make any necessary adjustments to ensure that the arrangements do not offer scope for abuse;

10. Notes that in some cases inventory control was deficient, endorses the view of the Board of Auditors that these issues should be reviewed as a matter of high priority, and requests the Secretary-General and the relevant executive heads of the United Nations organizations and programmes to address these issues accordingly;

11. Notes that the question of the terms of office of the members of the Board of Auditors will be considered under item 105 of the agenda of the forty-ninth session of the General Assembly.

B

The General Assembly,

Recalling its resolution 47/211 of 23 December 1992, and especially paragraphs 5 and 6 thereof,

Having considered the financial report and audited financial statements for the biennium ended 31 December 1993 and the report of the Board of Auditors on United Nations peace-keeping operations, 28/

28/ Official Records of the General Assembly, Forty-ninth Session, Supplement No. 5 and corrigendum (A/49/5 and A/49/5 (Vol. II)/Corr.1), vol. II.

1. Welcomes the presentation by the Secretary-General and the Board of Auditors pursuant to paragraph 5 of General Assembly resolution 47/211 of a separate document covering all peace-keeping operations, and invites the Board of Auditors to develop this format further, in particular by providing more detailed information for the larger peace-keeping operations, bearing in mind the views expressed by Member States;

2. Expresses concern that the Board of Auditors was unable to confirm cash-in-hand balances for the majority of the peace-keeping operations, and requests the Secretary-General to ensure that, for each peace-keeping operation, the cash counts are reconciled on a regular basis with the accounting records;

3. Also expresses concern at the findings of the Board of Auditors concerning non-expendable property, and requests the Secretary-General to ensure strict compliance with the provisions of financial rules 110.25 and 110.26 in this regard;

4. Requests the Secretary-General to consult with the Board of Auditors on appropriate measures to avoid the recurrence of the qualification of the audit opinion of the financial statements of the United Nations peace-keeping operations.

C

The General Assembly,

Having considered the concise summary of principal findings, conclusions and recommendations for remedial action of the Board of Auditors, 22/ especially paragraphs 17 to 26 thereof as regards procurement,

Also having considered the financial reports and audited financial statements for the period ended 31 December 1993 of the United Nations, including the United Nations peace-keeping operations, 29/

Expressing deep concern at the cases of violations of the Financial Regulations and Rules of the United Nations, as identified by the Board of Auditors, in particular in the fields of procurement and inventory,

Stressing the importance of the role of the Board of Auditors and of the Office of Internal Oversight Services in the identification and investigation of financial and budgetary irregularities and in the evaluation and verification of adequate controls established by the Secretary-General for preventing their occurrence,

Emphasizing the need for taking appropriate disciplinary measures in cases of financial and budgetary irregularities,

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29/ Ibid., vols. I and II.

Expressing concern about the potential for conflicts of interest which may arise when the United Nations employs in the procurement area former employees of supplier companies to the Organization,

1. Takes note with concern of the findings of the Board of Auditors on the aspects of procurement that require remedial action, and specifically endorses the recommendations of the Board in paragraph 9 (1) of its report on the United Nations, 30/ and in paragraph 9 (a) to (c) of its report on the United Nations peace-keeping operations; 31/

2. Requests the Secretary-General to take immediate action to implement these recommendations, taking into account the views expressed by Member States during the discussions in the General Assembly, keeping the Board of Auditors fully informed of the ongoing measures taken, and requests the Board of Auditors to report thereon to the Assembly at its fiftieth session;

3. Also requests the Secretary-General to submit a report to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, no later than 30 April 1995, containing proposals for the improvement of the procurement activities of the Secretariat, including, inter alia:

(a) Any necessary amendments to the Financial Regulations and Rules of the United Nations and to the Staff Regulations and Rules of the United Nations required to address issues of conflicts of interest;

(b) Reinforcement of the role of the Committee on Contracts and greater transparency in its operations in respect of the granting of exceptions to the competitive bidding rule, particularly where exigency was cited as the reason for requesting exceptions to this rule;

(c) Improved monitoring of contract compliance and the strengthening of penalty clauses for non-compliance;

(d) Strengthening of the planning capacity of the Secretariat in the field of procurement;

(e) Enhancement of the effectiveness of the approved roster of bidders and the formulation of standard and transparent guidelines and procedures for the pre-qualification of potential suppliers;

(f) Timely advertisement of tenders for competitive bidding and the regular publication of contract awards.

30/ Ibid., vol. I, sect. II.

31/ Ibid., vol. II, sect. II.

D

The General Assembly,

Recalling its decisions 46/445 of 20 December 1991 and 47/449 of 22 December 1992,

Also recalling its resolution 48/416 C of 23 December 1993 on United Nations system accounting standards,

Further recalling paragraph 29 of the annex to the report of the Secretary-General on accounting standards, 32/

Taking note of the findings of the Board of Auditors on this matter, as reflected in paragraph 7 of its report, 22/

1. Welcomes the effort made by organizations generally to comply with the United Nations common accounting standards for the biennium 1992-1993;

2. Notes, however, that further work needs to be done in the biennium 1994-1995 to bring the financial statements of certain United Nations organizations and programmes fully in line with the United Nations system common accounting standards;

3. Requests the Secretary-General and the executive heads of United Nations organizations and programmes to pursue their efforts to ensure full compliance with the common accounting standards in submitting the financial statements for the biennium 1994-1995, including, inter alia, disclosure of valuation of property, contributions-in-kind, and cash held in non-convertible currencies; calculation and disclosure of full long-term liability for termination benefits; and calculation and disclosure of delays in the collection of assessed contributions, with a view to improving disclosure in the financial statements.

E

The General Assembly,

Welcoming decision 94/30 of 10 October 1994 of the Executive Board of the United Nations Development Programme/United Nations Population Fund and decision 1994/R.3/6 of 5 October 1994 of the Executive Board of the United Nations Children's Fund, on harmonization of the presentation of budgets and accounts,

Requests the executive heads of the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund to report, through the Advisory Committee on Administrative and Budgetary Questions, to their respective governing bodies on the implementation of those decisions and to the Economic and Social Council at its substantive session of 1995.

32/ A/48/530.